

June 21, 2010

Natural Gas Trends

Highlights

ERCOT BEGINS LONG-TERM ENERGY STUDY

The U.S. Department of Energy recently awarded grant funds to the Electric Reliability Council of Texas (ERCOT), primarily to analyze the state's long-term electric grid transmission requirements under a broad range of hypothetical energy scenarios and to develop long-term electric transmission expansion plans for the Texas market. To that end, ERCOT has initiated a 3-year study of energy markets using a 20-year horizon.

"The quality of the information available to industry planners and state and federal policymakers and regulators will be substantially improved."
DOE Funding Opportunity Announcement

ERCOT is currently in the design phase of the long-term study. During this phase, ERCOT is conducting periodic work sessions with stakeholders to obtain input on the study design. Stakeholders include representatives from state agencies, such as the Railroad Commission of

Texas, federal agencies, academic institutions, independent system operators, regional transmission organizations, utilities, and non-governmental organizations. Stakeholder expertise will contribute to the breadth and depth of the study and, potentially, to a robust set of outputs. By participating in the design of the study, stakeholders are more likely to find that the study outputs are useful and informative to stakeholder entities.

Given that a significant quantity of electricity in Texas is generated from natural gas fuel, the study may be designed to consider hypothetical scenarios involving the natural gas industry. What if hydraulic fracturing legislation passes through Congress? What if our immense methane hydrate resources become economically feasible to produce, due to the development of new technologies? What if the U.S. were to become a significant exporter of liquefied natural gas (LNG)? Will the recent massive buildout of natural gas storage mitigate natural gas price volatility over the long term? Assumptions about these kinds of issues may be included in ERCOT's data models for the long-term study. The study could also include scenarios involving assumptions about oil and gas exploration or surface mining of coal and uranium, similarly under the jurisdiction of the Railroad Commission.

ERCOT manages the flow of electric power to 22 million Texas customers, representing about 85% of the state's electric load. For information about how to participate in ERCOT's long-term study, visit:

<http://www.ercot.com/committees/other/lts>

Data

- July Natural Gas Futures Contract (June 18), NYMEX at Henry Hub closed at \$4.997
- July Light, Sweet Crude Oil Futures Contract (June 18), NYMEX at Cushing closed at \$70.72 per Bbl. or approximately \$11.26 per MMBtu

Last week: Warmer Than Normal Trend Persists

For the week beginning 6/13/10 and ending 6/19/10, cooling degree days for Texas and the U.S. were significantly higher than normal. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 7% above normal for Texas and 18% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 6/19/10	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	92	+ 24	369	+ 37 %
Austin	145	+ 28	862	+ 1 %
Dallas – FW	161	+ 47	894	+ 40 %
El Paso	132	+ 12	777	+ 21 %
Houston	152	+ 37	1032	+ 19 %
San Antonio	140	+ 20	885	- 2 %
Texas**	132	+ 25	820	+ 7 %
U.S.**	63	+ 13	331	+ 18 %

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Gas Storage Rose to 2,543 Bcf

For the week ending 6/11/10, U.S. working gas in storage increased from 2,456 to 2,543 Bcf compared to 2,541 Bcf in storage a year ago and compared to an average of 2,230 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 896 to 919 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS STORAGE

Region	Week ending 6/11/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1200	1148	+ 52	+ 8.5 %
West	424	412	+ 12	+ 26.9 %
Producing	919	896	+ 23	+ 16.3 %
Lower 48 Total	2543	2456	+ 87	+ 14.0 %

Units in billion cubic feet (Bcf)

Last week: Gas Rig Count Down 1 To 953

The gas rig count for the U.S. was down 1 last week and up 261 when compared to 12 months ago. The U.S. total rig count was up 12 last week and up 640 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 6/18/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1539	+ 12	899	+ 640
Gas	953	- 1	692	+ 261
Oil	574	+ 13	196	+ 378
Texas	674	+ 12	330	+ 344
N. Amer.	1775	+ 35	1042	+ 733

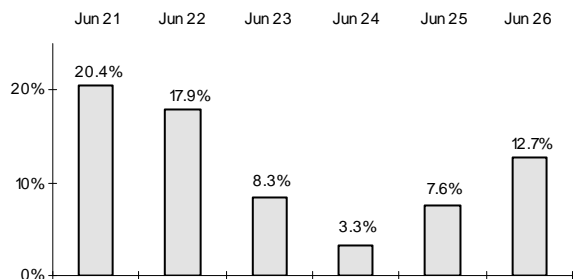
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Higher Than Norm

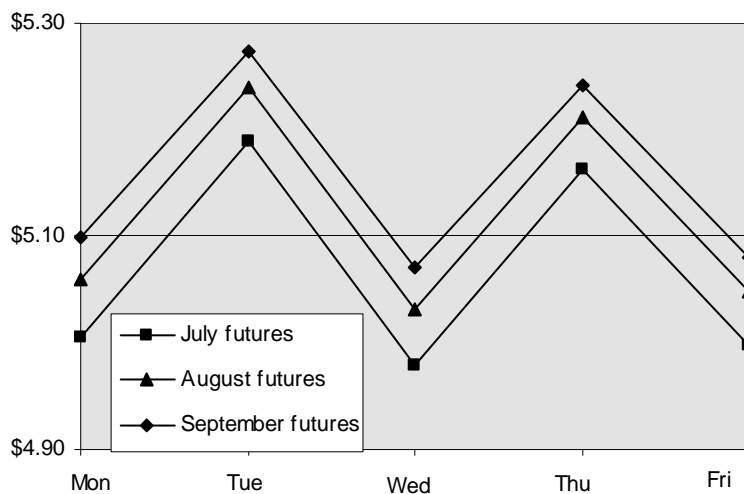
U.S. energy use is forecasted to be higher than normal through Saturday, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

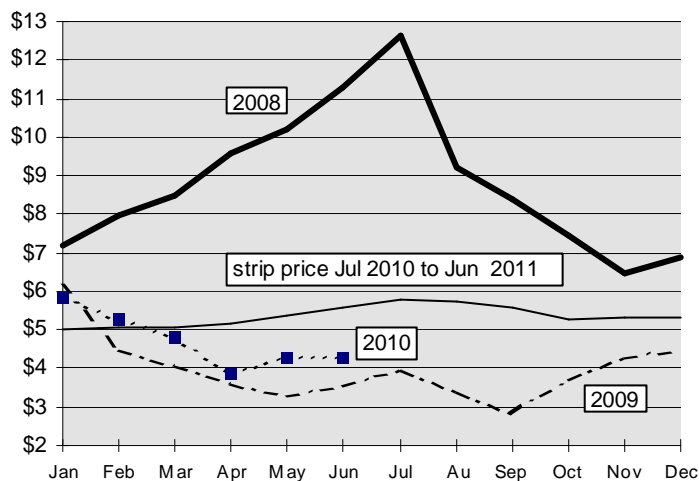
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 6/14/10 - 6/18/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 6/18/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$4.997	\$0.216	\$1.048	\$4.960